

**Supporting Statement for
Reports of Changes in Organizational Structure; Supplement to the Reports of Changes in
Organizational Structure; Annual Report of Bank Holding Companies; and Annual
Report of Foreign Banking Organizations
(FR Y-10, FR Y-10E, FR Y-6, and FR Y-7; OMB No. 7100-0297)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB) proposes to extend, with revision, the following mandatory family of reports (OMB No. 7100-0297)¹:

- Report of Changes in Organizational Structure (FR Y-10),
- Report of Changes in FBO Organizational Structure (FR Y-10F),
- Supplement to the Report of Changes in Organizational Structure (FR Y-10S),
- Notification of Foreign Branch Status (FR 2058),
- Annual Report of Bank Holding Companies (FR Y-6), and
- Annual Report of Foreign Banking Organizations (FR Y-7).

The FR Y-10 is an event-generated information collection submitted by top-tier domestic Bank Holding Companies (BHCs), including financial holding companies (FHCs), and state member banks unaffiliated with a BHC, to capture changes in their regulated investments and activities. The Federal Reserve uses the data to monitor structure information on subsidiaries and regulated investments of these entities engaged in banking and nonbanking activities.

The FR Y-10F is an event-generated information collection submitted by Foreign Banking Organizations (FBOs), including FHCs, to capture changes in their regulated investments and activities. The Federal Reserve uses the data to ensure compliance with U.S. banking laws and regulations and to determine the risk profile of the FBO.

The FR Y-10S is a supplement to the FR Y-10. The Federal Reserve uses the data to assess the effectiveness of banking organizations' compliance with the Sarbanes-Oxley Act of 2002 (SOX) and enhance the Federal Reserve's ability to evaluate regulatory data by reconciling it accurately with market data reported to shareholders.

The FR 2058 is an event-generated information collection submitted by member banks, BHCs, and Edge and agreement corporations to notify the Federal Reserve of the opening, closing, or relocation of a foreign branch. The Federal Reserve needs the information to fulfill its statutory obligation to supervise foreign branches of U.S. banking organizations.

The FR Y-6 is an annual information collection submitted by top-tier BHCs and nonqualifying FBOs. It collects financial data, an organization chart, and information about shareholders. The Federal Reserve uses the data to monitor holding company operations and determine holding company compliance with the provisions of the Bank Holding Company Act (BHC Act) and Regulation Y (12 CFR 225).

¹ The FR 2058, FR Y-6, and FR Y-7 are currently included under OMB Nos. 7100-0069, 7100-0124, and the 7100-0125, respectively.

The FR Y-7 is an annual information collection submitted by qualifying FBOs to update their financial and organizational information with the Federal Reserve. The Federal Reserve uses information to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with U.S. laws and regulations.

The following proposed changes would be effective December 31, 2006. The Federal Reserve proposes to revise the FR Y-10S by (1) requiring data as of December 31, 2006, for reportable entities established in 2006 and reportable entities that have experienced a change since December 31, 2005, (2) modifying the option for submitting data on the suspension of Securities and Exchange Commission reporting requirements to include termination of reporting requirements, and (3) modifying the instructions to address questions that arose during the first data collection. Also, the Federal Reserve proposes to revise the FR Y-6 by (1) modifying the cover page to make the certification similar to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128), to add a requirement for BHCs to indicate their public web addresses, and to add check boxes to indicate whether confidentiality has been requested for any of the data provided and (2) adding an annual requirement for institutions to verify a list of domestic branches for each depository institution and Edge and agreement corporation in the organization. Finally, the Federal Reserve proposes to revise the FR Y-7 by (1) modifying the cover page to make the certification similar to the proposed FR Y-6, to add a requirement for FBOs to provide their public web addresses, and to include check boxes to indicate whether confidentiality has been requested for any of the data submitted and (2) modifying the checklist to add check boxes for information provided, to delete the separate attestation, and to delete the confidentiality check box (now included on the cover page).

The following proposed changes would be effective June 30, 2007. The Federal Reserve proposes to (1) combine the FR Y-10, FR Y-10F, FR Y-10S, and FR 2058 into one event-generated reporting form, to be called the FR Y-10, (2) delete a question currently on the Banking and Nonbanking Schedules of the FR Y-10 regarding whether the company is consolidated in the respondent's financial statements, (3) add a box to the new Nonbanking Schedule to indicate that an entity is 100% owned, (4) implement a new schedule to collect data on domestic branches of depository institutions and Edge and agreement corporations, and (5) add check boxes to indicate whether confidentiality has been requested for any of the data provided. The Federal Reserve also proposes to create a free-form supplement that would be used to collect additional structural information deemed to be critical and needed in an expedited manner. This reporting form would be called the FR Y-10E. The estimated total current annual reporting burden for the organizational structure reporting forms is 35,327 hours and is estimated to increase by 10,634 hours with these proposed revisions.

Background and Justification

FR Y-10

In 1985, the Annual Report of Domestic Bank Holding Companies (FR Y-6) was restructured to collect only financial information, and the Changes in Investments and Activities of Top-Tier Financial Holding Companies, Bank Holding Companies, and State Member Banks (FR Y-6A; OMB No. 7100-0124) was created to capture structure information for new BHCs or BHCs that had undergone a change in their structure. In April 2000, the Federal Reserve revised the FR Y-6A to collect information on changes in investments and activities related to the

Gramm-Leach-Bliley Act of 1999 (GLB Act) from FHCs and unaffiliated state member banks. In September 2001, the Federal Reserve replaced the FR Y-6A with the FR Y-10 to reduce the burden and costs associated with submitting this information. This revision made the submission of structure information by domestic and foreign banking organizations more similar, increased the thresholds for investments to be included, reduced the types of investments to be included, streamlined the method for indicating the percentage ownership of nonbanking investments, and simplified the submission of legal authority and activity codes. Finally, the submission of certain information on the structure of foreign investments was moved from the Report of Changes in Foreign Investments (Made Pursuant to Regulation K) (FR 2064; OMB No. 7100-0109) to the FR Y-10, and the FR 2064 was changed to a recordkeeping requirement. In 2004, the Federal Reserve revised the FR Y-10 reporting forms and instructions in an effort to reduce respondent burden. The revisions to the reporting forms consisted primarily of reorganizing data items into separate schedules for banking and nonbanking investments. In addition, The Federal Reserve replaced FRS activity codes with the North American Industrial Classification System (NAICS) codes.

The Federal Reserve System uses this information to monitor the activities of reportable companies to ensure that the activities are conducted in a safe and sound manner. The FR Y-10 data provide the Federal Reserve with information integral to monitoring compliance with the BHC Act, the GLB Act, the Federal Reserve Act (FRA), Regulation Y, and Regulation K. Additionally, the FR Y-10 is the only source of information collected by a banking agency that captures detailed information on the structure of the banking organizations described in the Respondent Panel section below.

FR Y-10F

In 1995, the Foreign Banking Organization Structure Report on U.S. Banking and Nonbanking Activities (FR Y-7A; OMB No. 7100-0125) was implemented to collect structure information previously collected in section II of the Annual Report of Foreign Banking Organizations (FR Y-7; OMB No. 7100-0125). In December 1999, the reporting requirement was modified to collect FR Y-7A data for each company represented on the FR Y-7 organizational chart so that an accurate representation of the FBO could be captured. In April 2000, the Federal Reserve revised the FR Y-7A to collect information on changes in investments and activities related to the GLB Act of 1999 from FBOs that are FHCs. In September 2001, the Federal Reserve replaced the FR Y-7A with the FR Y-10F. This revision made the submission of structure information by domestic and foreign banking organizations more similar, increased the thresholds for investments to be included, reduced the types of investments to be included, streamlined the method for indicating the percentage ownership of nonbanking investments, and simplified the submission of legal authority and activity codes. Also, the FR Y-10F collects data on managed non-U.S. branches, not previously submitted on the FR Y-7A. In 2004, the Federal Reserve revised the FR Y-10F reporting forms and instructions in an effort to reduce respondent burden. The revisions to the reporting forms consisted primarily of reorganizing data items into separate schedules for banking and nonbanking investments. In addition, the Federal Reserve replaced Federal Reserve System activity codes with the NAICS codes.

The Federal Reserve System uses this information to assess the FBO's ability to be a continuing source of strength to its U.S. banking operations and to determine compliance with U.S. laws and regulations.

FR Y-10S

The FR Y-10S was implemented in December 2005 to ensure compliance with SOX and enhance the Federal Reserve's ability to evaluate regulatory data by reconciling them accurately with market data reported to shareholders. As a general matter, the Federal Reserve's supervisory process assesses the effectiveness of a banking organization's systems and processes designed to ensure compliance with laws and regulations, including SOX. SOX contains detailed requirements designed to improve corporate governance, enhance financial disclosures and reform auditing relationships for public companies, including public banking organizations. Data from Schedule A of the FR Y-10S allow the Federal Reserve to closely monitor banking organizations that must comply with SOX and track those organizations with material weaknesses. In addition, these data enable the Federal Reserve to provide an accurate list of public banking organizations to the Congress and other federal banking agencies.

Also, the need to analyze regulatory data (such as data from the FFIEC 031 and FFIEC 041; OMB No. 7100-0036) and market data jointly has increased for supervisory and economic research purposes. Market data are used for risk classifications for deposit insurance pricing purposes, off-site surveillance models used to quantify the likelihood of downgrades in supervisory ratings, and Basel II benchmarking tools. To assist in reconciling regulatory and market data, Schedule B of the FR Y-10S requires institutions to submit six-digit Committee on Uniform Security Identification Procedures (CUSIP) numbers² for certain entities. The CUSIP number is used to link regulatory data with other publicly available datasets that contain stock and bond returns, earnings forecasts, executive compensation, and the like. Having the CUSIP number enables investors, academic researchers, and policymakers to incorporate market and other information into their analysis from a number of areas. Moreover, an index matching the CUSIP number with the Federal Reserve identifier allows investors, policymakers, and academics to more fully examine issues ranging from bank-level economic performance to policy research on factors affecting systemic risk.

There were efforts to build databases linking Federal Reserve unique identifiers for institutions (ID RSSDs) to market identifiers such as CUSIP numbers and stock tickers. Although the market identifiers such as CUSIP numbers are publicly available, reconciling them to regulatory data proved difficult and imprecise because so many institutions have similar attributes (such as entity names). The Federal Reserve found it difficult and time consuming to perform this task and to keep the list up to date, particularly when there were mergers and acquisitions. Accurate and timely data are often needed to respond to Congressional and other inquiries.

² A CUSIP number identifies publicly-issued securities, including stocks of all registered U.S. companies and U.S. government and municipal bonds. The CUSIP system, owned by the American Bankers Association and operated by Standard & Poor's, facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

FR 2058

Pursuant to Sections 25 and 25(A) of the FRA and Section 4(c)(13) of the BHC Act, foreign branches may be established by any member bank, Edge corporation or agreement corporation, or their subsidiaries, or by a section 4(c)(13) subsidiary of a BHC. The FR 2058 notification was implemented in April 1980 following a revision to the Federal Reserve's Regulation K in June 1979. Regulation K, International Banking Operations, sets forth the conditions under which a foreign branch may be established and requires organizations to give thirty days prior written notice to the Board before the establishment of branches in the first two foreign countries. For subsequent branch establishments in additional foreign countries, organizations must give the Federal Reserve System twelve days prior written notice.³ In limited cases, only an after-the-fact notice is required. Organizations use the FR 2058 to notify the Federal Reserve when any of these branches has been opened, closed, or relocated.

The Federal Reserve System needs the information collected on the FR 2058 to fulfill supervisory responsibilities specified in Regulation K including the supervision of foreign branches of U.S. banking organizations. The information submitted on the FR 2058 notification is the primary means by which the Federal Reserve System monitors the current operating status of foreign branches of U.S. banking organizations. The information is needed in order to evaluate the organization's international exposure and to update the Federal Reserve's structure files on U.S. banking organizations. On occasion, information derived from the FR 2058 is used by the Federal Reserve to assess requests by U.S. banking organizations to modify their foreign operations. The information enables the Federal Reserve to evaluate an organization's development over time. The FR 2058 notification is the only source of this information.

FR Y-6

Section 5(c) of the BHC Act authorizes the Board to require BHCs to keep the Board informed, in part, of their financial condition, risk management systems, and transactions with bank subsidiaries. Data from the FR Y-6 enable the Federal Reserve to monitor holding company operations, ensure that operations are conducted in a safe and sound manner, and determine holding company compliance with the provisions of the BHC Act and Regulation Y. The data collected about shareholders, directors, officers and others provide valuable information, which is used for supervisory purposes in various ways. For example, data on outside business interests of directors and officers aid in identifying chain banking organizations by indicating when an individual owns 25 percent or more of each of two or more banking organizations. In addition, information on the principal owners and directors is of supervisory importance since these individuals have a significant effect on the policies and condition of banking organizations. Furthermore, information on the outside business interests of insiders can be useful in uncovering situations that involve a conflict of interest or preferential treatment in the granting of credit. Finally, information on ownership helps the Federal Reserve monitor compliance with the Change in Bank Control Act.

A number of BHCs are not inspected on an annual basis. Therefore, annual submission of this information in the FR Y-6 is essential for supervisory purposes because it provides

³ The International Applications and Prior Notifications Under Subparts A and C of Regulation K (FR K-1; OMB No. 7100-0107), is used for these notices.

information between BHC inspections. The timely collection of these data in a supervisory report enhances the Federal Reserve's efforts to monitor BHC activities.

The FR Y-6 data are available to other federal banking agencies for use in their supervision of national and state nonmember banks. In addition, the FR Y-6 serves as a source of information on BHCs for the public and for responses to information requests from Congress.

FR Y-7

The Federal Reserve implemented the FR Y-7 in January 1972 and required only foreign banks that controlled U.S. subsidiary banks to file. With the enactment of the International Banking Act of 1978 (IBA), the Congress established a framework for federal regulation of foreign banks operating in U.S. financial markets. Section 7 of the IBA authorizes the Federal Reserve to examine U.S. branches, agencies, and subsidiary commercial lending companies of foreign banks and to assess the condition of the multi-state banking operations of foreign banks. Section 8(a) of the IBA states that foreign banks that engage in banking in the United States through a U.S. branch, agency or subsidiary commercial lending company and companies that control such foreign banks are subject to the provisions of the BHC Act, as amended.

Given these statutory responsibilities, the Federal Reserve issued two policy statements (dated February 23, 1979, and July 20, 1979) on the supervision of FBOs that control a U.S. subsidiary bank. They stated that the Federal Reserve needed full financial information on foreign parent organizations to assess the foreign parent's ability to continue to serve as a source of strength for their U.S. operations. In 1980, as part of its implementation of those policy statements, the Federal Reserve issued a revised FR Y-7 form setting forth annual reporting requirements for FBOs engaged in banking in the United States.

The Federal Reserve System uses information collected on this reporting form to assess a FBO's ability to be a continuing source of strength to its U.S. operations, to determine eligibility as a Qualifying Foreign Banking Organization, and to determine compliance with U.S. laws and regulations. This information is not available from other sources.

Description of Information Collection

The FR Y-10 collects data on organizational structural changes for the reportable companies listed in the respondent panel section. There are four schedules: the Banking Schedule, which is used to submit information on a banking organization and its directly or indirectly held interests in a BHC, bank organized under U.S. law, or FBO; the Nonbanking Schedule, which is used to submit information about a banking organization's directly or indirectly held interests in a nonbanking company; the Merger Schedule, which collects information on the survivors and nonsurvivors of mergers involving any reportable company; and the 4(k) Schedule which provides required post-transaction notice for activities, formations and acquisitions of companies, and large merchant banking and insurance company investments authorized under Section 4(k) of the BHC Act.

The FR Y-10F collects data on organizational structural changes for FBOs with respect to their U.S. banking and nonbanking activities. There are five schedules: the Banking Schedule, which is used to submit information on a banking organization and its directly or indirectly held

interests in a BHC, bank organized under U.S. law, or FBO; the Nonbanking Schedule, which is used to submit information about a banking organization's directly or indirectly held interests in a nonbanking company; the Merger Schedule, which collects information on the survivors and nonsurvivors of mergers involving any reportable company; the 4(k) Schedule which provides required post-transaction notice for activities, formations and acquisitions of companies, and large merchant banking and insurance company investments authorized under Section 4(k) of the BHC Act; and the Branch, Agency, and Representative Office Schedule, which collects structure information on U.S. branches, agencies, representative offices, and non-U.S. managed branches.

The FR Y-10S is a supplement that collects data on SEC reporting status and CUSIP numbers. Schedule A, SEC Reporting Status, is completed by top-tier BHCs, FBOs, and state member banks not controlled by a BHC. Schedule B, CUSIP Number, is completed by top-tier BHCs and state member banks not controlled by a BHC. Schedule B asks if any entity in the banking company has currently active six-digit CUSIP numbers for debt or equity issuances. If the banking company responds yes to this question, the company is required to complete Part II of Schedule B, indicating the six-digit CUSIP number for itself and all other U.S. BHCs, U.S. banks, and the largest U.S. nonbank company that is a subsidiary within the organization.

Member banks, BHCs, or Edge or agreement corporations submit the FR 2058 data after opening, closing, or relocating an approved foreign branch. The following information is required: name and location of the reporting institution and subsidiary, date of Board consent or prior notification, effective date of branch status change, the prior and new branch name and address, and status as shell branch or full service branch.

The annual FR Y-6 is submitted by top-tier BHCs and nonqualifying FBOs and consists of the requirement that BHCs not registered with the SEC submit, if one is created, their annual report to shareholders. The FR Y-6 also requires the submission of an organizational chart and collects information on the identity, percentage ownership, and business interests of principal shareholders, directors, and executive officers.

The annual FR Y-7 is submitted by qualifying FBOs that are directly or indirectly engaged in the business of banking in the United States as of the end of the respondent's fiscal year.⁴ The FR Y-7 collects financial, organizational, and managerial information.

Revisions Effective December 31, 2006

SEC Reporting Status (FR Y-10S Schedule A) and CUSIP Number (FR Y-10S Schedule B)

The Federal Reserve proposes to revise Schedule A of the FR Y-10S (1) to require data as of December 31, 2006, for reportable entities established in 2006 and reportable entities that have experienced a change since December 31, 2005, and (2) to modify the option for suspension to include termination of reporting requirements. Also, instructional changes to both Schedule A and B would be made to address questions from respondents that arose during the

⁴ Under the International Banking Act of 1978, banks organized under the laws of Puerto Rico and other American possessions are generally not required to file the FR Y-7. Such banks are insured by the FDIC and examined by U.S. supervisory agencies. Also, FBOs that are BHCs or that have a U.S. BHC subsidiary are required to report on the FR Y-6 all interests held through the top-tier U.S. BHC.

first data collection. In particular, the instructions would be clarified with respect to CUSIP data for, acquired entities, and the largest nonbank subsidiary and the elimination of the reference to CUSIP data for Canadian Companies.

FR Y-6 and FR Y-7 Certification

The Federal Reserve proposes to revise the certification to require the authorized official to attest that the data have been prepared in conformance with the instructions and the data are true and correct to the best of the authorized official's knowledge and belief. This proposed change is similar to recent changes to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128).

FR Y-6 and FR Y-7 Public Web Address

The Federal Reserve proposes to add to the cover page a requirement for BHCs and FBOs to provide their public web addresses. This contact information would be useful to the public and to the Federal Reserve. The Federal Reserve finds it helpful to review the web sites to verify certain data submitted by BHCs and FBOs (such as annual reports to shareholders, officer and director information, subsidiary information, branch information, and press releases). For FBOs and smaller BHCs, it is difficult to find the web addresses through Internet search engines due to institutions with similar names. Web addresses are collected on the FR Y-9C from BHCs, but the addresses reported are specific to the pages that display risk disclosures. Because of the limited purpose, only about forty BHCs currently submit this information on the FR Y-9C.

FR Y-6 Organization Chart

The Federal Reserve proposes to add to Report Item 2: Organization Chart an annual requirement for institutions to verify a list of domestic branches that the Federal Reserve has on file for the institution. The list of domestic branches would include those of depository institutions and Edge and agreement corporations held directly or indirectly by the respondent. The Federal Reserve would provide the branch data to the institution and the institution would be required to annotate the data in the format provided. The Federal Reserve plans to develop an automated tool for institutions to verify and update their domestic branch data and specifically requests comment on whether this tool would be useful to respondents.

Revisions Effective June 30, 2007

Combining the FR Y-10, FR Y-10F, FR Y-10S, and FR 2058 Reporting Forms

The Federal Reserve proposes to combine the four existing reporting forms into one to streamline the data submission process. All report titles, form numbers, and OMB control numbers would be combined as the Report of Changes in Organizational Structure, FR Y-10, OMB No. 7100-0297. In combining the reporting forms and instructions, the Federal Reserve intends to retain all data items not specifically mentioned in this notice. All data items would be collected on an event-generated basis, including data previously submitted annually on Schedule A of the FR Y-10S. The substantive proposed changes to the data submitted are described in detail below. Also, minor clarifications would be made to certain data items to address recurring

questions from respondents. The Federal Reserve would request institutions to provide data on the FR Y-10 for any changes not previously reported, occurring between January 1, 2007 and June 30, 2007, by July 30, 2007. Any event-generated transaction that occurs after June 30, 2007, would be submitted on the combined FR Y-10 within 30 days.

Proposed FR Y-10 Banking and Nonbanking Schedules

Consolidation Question (current data item 8). The Federal Reserve proposes to delete the question regarding whether the company is consolidated in the respondent's financial statements.

100% Owned Entities (proposed data item 11.a). On the Nonbanking Schedule only, the Federal Reserve proposes to add a box to collect data for wholly-owned entities. The current data item (9.a on the FR Y-10F and 10.a on the FR Y-10) requires these entities to be identified as 80 percent or more owned. The Federal Reserve is unable to determine whether a particular subsidiary is wholly-owned, which has implications for the supervisory process

Proposed FR Y-10 Domestic Branch Schedule

The Federal Reserve proposes to add a schedule for data on domestic branches and offices of depository institutions held directly or indirectly and domestic branches of Edge and agreement corporations. Top-tier BHCs, state member banks that are not controlled by a BHC, and Edge and agreement corporations would be required to submit this information. Data would not be submitted by national and nonmember banks that are unaffiliated with a BHC.

The Federal Reserve proposes to collect branch data on an event-generated basis, parallel to the other schedules on the FR Y-10, within thirty calendar days. As noted above, BHCs would verify a list of domestic branches for each depository institution within their organization in the FR Y-6 report, beginning in December 2006. The Federal Reserve would request BHCs to provide data on the FR Y-10 for any branch openings, acquisitions, sales, closings or relocations, or changes to service type or popular name, occurring between January 1, 2007 and June 30, 2007, by July 30, 2007. Thereafter, institutions would be required to report events within 30 days; however, they would be permitted to combine multiple transactions into a single monthly filing.

Collecting domestic branch data on an event-generated basis would ensure that the Federal Reserve will be using data that accurately reflect current market conditions. In the analysis of proposed mergers, or when performing Community Reinvestment Act examinations, the Federal Reserve will be able to assess banking presence in the relevant markets. Currently, such analysis is not possible.

Data would be submitted for the following branches and offices:

1. Full service (brick & mortar, retail) – traditional offices.
2. Electronic Banking – offices where Internet and other similar deposits are booked.
3. Limited service (military, drive-through, mobile or seasonal, and retail) - limited, but often take or include deposits.
4. Loan production and consumer credit - limited, normally nondeposit, but extend credit.
5. Trust - limited and nondeposit.

6. Administrative (administrative, contractual, messenger) - all other limited and nondeposit.

Competitive analysis is required by the BHC Act (sections 3(c) (1) and (2)) and the Bank Merger Act (section 18(c)). The purpose of collecting data in these six categories is to gain accurate information regarding the degree of each institution's market presence in local markets. Categories 1 and 3 are branches that take deposits and directly serve the area where they are located. Categories 2 and 5 are also deposit-taking branches but their deposits are likely to have originated from consumers in locations other than where the branch is located, implying that branch presence in the market may not indicate service in that market. The inclusion of a separate category for loan production and consumer credit offices is intended to capture retail bank activity, which may be substantial, in markets where the institution has no deposit-taking branches. The last category captures those locations not elsewhere classified. The proposal to classify all branches into six categories is based upon the current collection of branch data in the Federal Deposit Insurance Corporation's (FDIC's) Summary of Deposits (SOD) Report (OMB No. 3064-0061). Each of the current SOD classifications can be mapped directly into one of the proposed categories. This should reduce burden on respondents. The Federal Reserve requests specific comment on whether these categories are the best way to break out service level types.

Branch data are essential for carrying out the Federal Reserve's statutory responsibility to analyze the competitive effects of proposed bank mergers and acquisitions. In many bank merger applications, applicants have argued that the competitive analysis should take into account the precise activities at a given branch. This includes cases where they have argued for the exclusion of deposits or branches on the grounds that the deposits are non-local in origin. Similarly, applicants have argued that other firms are competitors by virtue of the presence of loan production offices. The lack of data in these cases has hindered analysis.

The Federal Reserve System relies heavily on domestic branch data for economic and market research as well as policy. Many research projects that use branch data are designed to enhance the Federal Reserve's understanding of the relationship between banking market structure (as measured by the number of firms operating in a market, market concentration, entry, and exit), firm behavior (prices and service quality), and performance (profitability). Branch data have been used for a variety of additional market studies, including several pertaining to lending patterns of banks. For the Survey of Small Business Finances (FR 3044; OMB No. 7100-0262), branch data are critical in determining distances between firms and their banks and for creating Herfindahl indexes (which measure industry concentration). Accurate address information is increasingly important as the technology for geocoding data improves.

A recent example of using branch data for research and policy work was in evaluating the impact of Hurricane Katrina on the banking system immediately after the disaster. The Federal Reserve also provided geocoded maps of branches in the affected areas to the Red Cross. Although Hurricane Katrina happened in August 2005, the most current universe of branch data available for analysis was as of June 2004. Better branch data would have enabled economists to incorporate branch structure changes between June 2004 and August 2005 into their analysis and policy decisions.

The Federal Reserve's Home Mortgage Disclosure Act (HMDA) system uses branch information to determine the reporting panel. In addition, HMDA (OMB No. 7100-0147) and

CRA (OMB No. 7100-0197) data are geocoded and numerous studies and reports regarding fair lending practices are based on the HMDA files that include branch data.

This proposal would replace most of the current process for gathering domestic branch structure data, which is inadequate. Branch data for domestic state member banks are communicated to the Federal Reserve primarily through the application process. Information for all other domestic bank branches (branches of national and nonmember banks) is obtained by searching FDIC and Office of the Comptroller of the Currency bulletins. The Federal Reserve needs a formal information collection to ensure that these data are consistent, complete, and updated on the same frequency.

Collecting branch data for the institutions associated with top-tier BHCs, state member banks unaffiliated with a BHC, and Edge and agreement corporations would cover 95 percent of the banking branches and 82 percent of banking and thrift branches.

Proposed FR Y-10 Reporting Instructions

The proposed instructions for the FR Y-10 would be combined, revised, and clarified to conform with the proposed changes to the reporting form. To provide additional clarity and reduce ambiguity, legal terminology would be clarified (for example, language would be added to address the reportability of limited partnerships).

Creating the FR Y-10E Supplement

The Federal Reserve also proposes to create a free-form supplement that would be used to collect additional structural information deemed to be critical and needed in an expedited manner. This reporting form would be called the FR Y-10E. The Federal Reserve proposes to create a free-form supplement to the FR Y-10 so that, should there be an immediate need for certain critical organizational structural information, the necessary data could be collected on this supplement at the earliest practicable date. Such a need could arise, for example, because of a statutory change or an unexpected market event. Such a supplement currently exists for financial data on the FR Y-9C. The Federal Reserve expects to use this supplement infrequently and only when there is not sufficient time to take proposed changes through the full clearance process.

Respondent Panel

The current FR Y-10 panel comprises top-tier BHCs, including FHCs; state member banks that are not controlled by a BHC; Edge and agreement corporations that are not controlled by a member bank, a domestic BHC, or a FBO; nationally chartered banks that are not controlled by a BHC, with regard to their foreign investments only; and FBOs that are nonqualifying FBOs.

The FR Y-10F panel comprises FBOs that are organized under the laws of a foreign country and that are engaged in the business of banking in the United States through subsidiary banks, Edge or agreement corporations, subsidiary commercial lending companies, or their own branches or agencies. The panel does not include those investments held through a U.S. BHC or through a nonqualifying FBO (these investments should be submitted on the FR Y-10).

The FR Y-10S panel comprises FBOs, top-tier BHCs, and state member banks that are not controlled by a BHC. All of these organizations currently file either the FR Y-10 or FR Y-10F.

The FR 2058 panel comprises member banks, BHCs, and Edge and agreement corporations. The FR Y-6 panel comprises top-tier BHCs and nonqualifying FBOs. The FR Y-7 panel comprises all qualifying FBOs that engage in banking in the United States, either directly or indirectly.

The proposed FR Y-10 and FR Y-10E panel would comprise FBOs; top-tier BHCs; state member banks that are not controlled by a BHC; Edge and agreement corporations that are not controlled by a member bank, a domestic BHC, or a FBO; and nationally chartered banks that are not controlled by a BHC, with regard to their foreign investments only.

Time Schedule for Information Collection and Publication

The current FR Y-10 and the FR Y-10F are event-generated, and the data are submitted within thirty calendar days of a reportable transaction or event. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment. Limited data from the FR Y-10 and the FR Y-10F are published on the National Information Center website.

Schedule A of the FR Y-10S is collected annually as of December 31 from all respondents that have a reportable event. Data for Schedule A are due March 1 of the following year. Schedule B of the FR Y-10S is event-generated, submitted within thirty calendar days of a reportable event.

The FR 2058 is event-generated and is due at the district Reserve Bank within thirty days of the change in branch status. The information currently is not published. However, the data may be published once collected on the FR Y-10.

The FR Y-6 is submitted annually, no later than three months after the end of the BHC's or nonqualifying FBO's fiscal year. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment. Data from the FR Y-6 are not published.

All qualifying FBOs file the FR Y-7 annually as of the end of the FBO's fiscal year; the data are due not later than four months after the report date. Data from these reporting forms are not published, but nonconfidential data would be available to the public upon request. Submissions are mandatory.

For the proposed combined FR Y-10, data would be event-generated and would be due within thirty days after an event. Limited data from the FR Y-10 would be published on the NIC website.

Legal Status

The Board's Legal Division determined that the following statutes authorize the Federal Reserve to require the reporting forms:

FR Y-10, FR Y-10F, and FR Y-10S : Sections 4(k) and 5(c)(1)(A) of the BHC Act (12 U.S.C. 1843(k), 1844(c)(1)(A)); Sections 11(a)(1), 25(7) and 25A of the FRA (12 U.S.C. 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 CFR 211.13(c)); and Section 225.5(b) of Regulation Y (12 CFR 225.5(b)). For the FR Y-10F and FR Y-10S only: Section 225.87 of Regulation Y (12 CFR 225.87) and Section 8(a) of the IBA (12 U.S.C. 3106(a)).

FR 2058: 12 U.S.C. 321, 601, and 602 (member banks), 12 U.S.C. 615 (Edge corporations), 12 U.S.C. 601 (agreement corporations), and 12 U.S.C. 1844(c) (BHCs).

FR Y-6: Section 5(c)(1)(A) of the BHC Act (12 U.S.C. 1844(c)(1)(A)); Section 8(a) of the IBA (12 U.S.C. 3106(a)); Sections 11(a)(1), 25 and 25A of the FRA (12 U.S.C. 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 CFR 211.13(c)); and Section 225.5(b) of Regulation Y (12 CFR 225.5(b)).

FR Y-7: 12 U.S.C. 3106 and 3108(a).

The Board's Legal Division also determined that the data collected in the FR Y-10, FR Y-10F, FR Y-10S, FR 2058, FR Y-6, and FR Y-7 are not considered confidential. However, a company may request confidential treatment pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act (5 U.S.C. 522(b)(4) and (b)(6)). Section (b)(4) provides exemption for trade secrets and commercial or financial information obtained from a person as privileged or confidential. Section (b)(6) provides exemption for personnel and medical files and similar files the disclosure of which will constitute a clearly unwarranted invasion of personal privacy.

Estimate of Respondent Burden

As shown in the following table, the current estimated annual reporting burden for the organizational structure reporting forms is 35,327 hours. The proposed changes would result in a net increase in burden to 45,961 hours annually. The majority of this increase in burden is due to adding the proposed data on domestic branches to the FR Y-10 and FR Y-6. Since institutions already maintain data on their branches for operations and customer notifications, the increase is attributable to the incremental burden associated with providing this information in the format needed by the Federal Reserve. There is also an increase associated with the new supplement, the FR Y-10E. Offsetting these increases are decreases in the burden associated with combining the reporting forms and deleting one item on consolidation. The estimated annual burden for these reporting forms, current and proposed, is less than 1 percent of the total Federal Reserve System burden.

	<i>Number of Respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
FR Y-10	2,448	4	1	9,792
FR Y-10F	320	5	1	1,600
FR Y-10S	551	4	.50	1,102
FR 2058	79	1	.25	20
FR Y-6	5,156	1	4.25	21,913
FR Y-7	257	1	3.50	<u>900</u>
<i>Total</i>				35,327
<i>Proposed</i>				
FR Y-10	2,768	6	1	16,608
FR Y-10E	2,768	1	.50	1,384
FR Y-6	5,156	1	5.25	27,069
FR Y-7	257	1	3.50	<u>900</u>
<i>Total</i>				45,961
<i>change</i>				10,634

The total estimated annual reporting cost to the public for these reporting forms would increase from \$2,389,951 to \$3,109,194.⁵

Estimate of Cost to the Federal Reserve System

Current costs to the Federal Reserve System for collecting and processing these reports are estimated to be \$1,760,077 per year. With the revisions the estimated costs will increase by 8 percent to \$1,914,270 per year. The one-time costs to implement the revised reports are estimated to be \$464,697.

Consultation Outside the Agency

The Federal Reserve System has consulted with industry trade groups on this proposal.

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

⁵ Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by current and proposed annual burden hours, multiplied by hourly rate: 25% - Clerical @ \$25; 40% - Managerial or Technical @ \$55; 25% - Senior Management @ \$100; and 10% - Legal Counsel @ \$144. Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics, *Occupational Employment and Wages*, news release.